Consolidated Financial Statements

Alberta

Consolidated Financial Statements of the Province of Alberta

Year ended March 31, 2008

INTRODUCTION

The financial statements in this annual report of the Government of Alberta are consolidations of ministry consolidated financial statements, which themselves are consolidations of the financial statements of departments, regulated funds, Provincial agencies, Crown-controlled corporations and SUCH sector organizations, for which separate or summary financial statements are presented in ministry annual reports. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, regional health authorities, and other health boards. A listing of these organizations is provided in Schedule 16 of the financial statements.

The method of consolidation is described in the Accounting Policies note (Note 1) that forms part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Alberta rests with the government. The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Minister of Treasury Board as authorized by the President of the Treasury Board pursuant to the *Financial Administration Act*. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, and of necessity include some amounts that are based on estimates and judgements. As required by the *Government Accountability Act*, the consolidated financial statements are included in the consolidated annual report of the Government of Alberta that forms part of the Public Accounts.

To fulfill its accounting and reporting responsibilities, the government maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability for public money, and
- safeguard the assets and properties of the Province of Alberta under government administration.

Under the *Financial Administration Act*, deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. In order to meet government accounting and reporting requirements, the Controller obtains information relating to departments, regulated funds, Provincial agencies, Crown-controlled corporations, schools, universities, colleges, technical institutes, regional health authorities and health boards from ministries as necessary.

The consolidated financial statements are reviewed by the Audit Committee established under the *Auditor General Act*. Under the *Fiscal Responsibility Act*, the Audit Committee must report publicly to the Executive Council on the progress made in eliminating the accumulated debt. The Audit Committee advises the Lieutenant Governor in Council on the scope and results of the Auditor General's audit of the consolidated financial statements of the Province.

The Auditor General of Alberta provides an independent opinion on the consolidated financial statements prepared by the government. The duties of the Auditor General in that respect are contained in the *Auditor General Act*.

Annually, the consolidated annual report is tabled in the Legislature as a part of the Public Accounts and is referred to the Standing Committee on Public Accounts of the Legislative Assembly.

Approved by:

Brian Manning
Deputy Minister of Treasury Board

Doug Lynkowski, CA
Controller

Edmonton, Alberta
June 18, 2008

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Province of Alberta as at March 31, 2008 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Government of Alberta and are prepared on its behalf by the Ministry of Treasury Board management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 2008 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Original Signed by Fred J. Dunn

Edmonton, Alberta
June 18, 2008

FCA
Auditor General

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Consolidated Statement of Operations

Year Ended March 31, 2008

	2008		2007
	Budget	Actual	Actual
		In millions	
Revenues (Schedule 1)			
Income taxes	$ 10,444	$ 12,966	$ 11,228
Other taxes	3,630	3,573	3,468
Non-renewable resource revenue	10,260	11,024	12,260
Transfers from Government of Canada	3,715	3,048	3,077
Net income from commercial operations (Note 12)	2,358	2,331	2,474
Net investment income (Note 12)	2,500	2,349	3,013
Premiums, fees and licences	1,876	1,971	1,888
Other	549	751	609
Revenues for fiscal plan purposes	35,332	38,013	38,017
Increase in equity in Crown-controlled SUCH sector organizations (Note 12 and Schedule 8)		156	540
Revenues for financial statement purposes		38,169	38,557
Expenses by function (Note 5, Schedules 2 and 3)			
Health	12,259	12,281	10,878
Education	8,568	8,884	7,976
Social services	3,148	3,117	2,931
Transportation, communications and utilities (Note 1(c))	2,365	2,306	2,169
Agriculture, resource management and economic development	2,129	1,909	1,959
Protection of persons and property	1,183	1,293	1,208
Regional planning and development	736	755	400
Recreation and culture	541	538	308
Housing	349	538	262
Environment	238	345	218
General government	1,311	1,252	983
Debt servicing costs	235	214	215
Pension provisions (Note 14)	117	2,290	158
	33,179	35,722	29,665
Excess of revenues over expenses for the year (Note 5)	$ 2,153	2,447	8,892
Net assets at beginning of year		46,562	37,574
Reclassification of highway rehabilitation projects (Note 1(c))		466	-
Universities' share of the unfunded liability of the Universities Academic Pension Plan (Schedule 8(a))		(344)	-
Other (Note 15)		55	96
Net assets at end of year		$ 49,186	$ 46,562

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Financial Position

As at March 31, 2008

	2008	2007
	In millions	
Financial assets		
Cash and temporary investments (Schedule 5)	$ 5,671	$ 5,535
Accounts and accrued interest receivable	4,730	3,874
Portfolio investments (Schedule 6)	36,080	33,168
Equity in commercial enterprises (Schedule 7)	2,262	2,179
Equity in Crown-controlled SUCH sector organizations (Schedule 8)	3,519	3,679
Loans and advances (Schedule 9)	7,163	6,239
Inventories for resale	22	19
	59,447	54,693
Liabilities		
Accounts and accrued interest payable	7,339	6,584
Unmatured debt (Note 6 and Schedule 10)	2,522	2,634
Debt of Alberta Capital Finance Authority (Schedule 11)	5,739	4,974
Pension obligations (Schedule 12)	7,883	5,593
Other accrued liabilities (Schedule 13)	479	523
Obligations under public private partnerships (Note 8)	439	252
	24,401	20,560
Net financial assets	35,046	34,133
Non-financial assets		
Tangible capital assets (Schedule 14)	14,095	12,393
Inventories of supplies	45	36
	14,140	12,429
Net assets (Note 5)	$ 49,186	$ 46,562

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Change in Net Financial Assets

Year Ended March 31, 2008

	2008	2007
	In millions	
Excess of revenues over expenses for the year	$ 2,447	$ 8,892
Acquisition of tangible capital assets and inventories of supplies	(1,801)	(1,295)
Amortization of tangible capital assets and consumption of inventories of supplies	522	473
Universities' share of the unfunded liability of the Universities Academic Pension Plan (Schedule 8)	(344)	-
Accumulated unrealized gains (Schedule 7 and 8)	42	-
Net gain on disposal and write-down of tangible capital assets	(3)	(27)
Proceeds on sale of tangible capital assets	50	68
Increase in net financial assets	913	8,111
Net financial assets at beginning of year	34,133	26,022
Net financial assets at end of year	$ 35,046	$ 34,133

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2008

	2008	2007
	In millions	
Operating transactions		
Excess of revenues over expenses for the year	$ 2,447	$ 8,892
Non-cash items	2,290	(834)
	4,737	8,058
Increase in receivables	(856)	(37)
Increase in payables	942	1,223
Other	6	(5)
Cash provided by operating transactions	4,829	9,239
Capital transactions		
Acquisition of tangible capital assets and inventories of supplies	(1,801)	(1,295)
Proceeds on sale of tangible capital assets	50	68
Cash applied to capital transactions	(1,751)	(1,227)
Investing transactions		
Purchase of portfolio investments	(15,618)	(20,546)
Disposals of portfolio investments	13,053	12,410
Loans and advances made	(3,774)	(3,523)
Repayment of loans and advances	2,835	2,730
Cash applied to investing transactions	(3,504)	(8,929)
Financing transactions		
Debt retirement	(6,681)	(6,694)
Debt issues	7,243	6,949
Cash provided by financing transactions	562	255
Increase (decrease) in cash and temporary investments	136	(662)
Cash and temporary investments at beginning of year	5,535	6,197
Cash and temporary investments at end of year	$ 5,671	$ 5,535

The accompanying notes and schedules are part of these financial statements.

Notes to the 2007-08 Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting Entity

These financial statemen s include the accounts of all organizations that are controlled by the Province, including government sector entities and Crown-controlled SUCH sector organizations. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, regional health authorities, and other health boards.

A listing of these organizations is provided in Schedule 16.

(b) Method of Consolidation

The accounts of government sector entities, except those designated as commercial enterprises, are consolidated using the full consolidation method. Revenue and expense transactions, capital, investing and financing transactions, and related asset and liability accounts between consolidated entities have been eliminated.

The accounts of Provincial agencies designated as commercial enterprises and Crown-controlled SUCH sector organizations are consolidated on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to these entities. Under the modified equity method of consolidation, the accounting polices of consolidated entities are not adjusted to conform with those of the government sector entities. Inter-sector revenue and expense transactions and related asset and liability balances are not eliminated (see Note 13).

The year end of schools, colleges, technical institutes and some Provincial agencies is other than March 31. Transactions of these organizations that have occurred during the period to March 31, 2008, and that significantly affect the consolidation, have been recorded.

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue and included in accounts payable.

Corporate income tax revenue is recognized when installments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments. Corporate income tax receipts from corporations in anticipation of an upward reassessment of Alberta income tax payable are described as corporate income tax receipts in abeyance and recorded as accounts payable.

The Provincial tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Province has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include performing audits of taxpayer records when determined necessary. However, such procedures cannot identify all sources of unreported income or other cases of non-compliance with tax laws. The Province does not estimate the amount of unreported tax.

Note 1 (continued)

Non-renewable resource revenue is reported based on royalties on oil and gas produced during the year.

The provincial royalty system is predicated on self-reporting where the petroleum and natural gas industry is expected to understand the relevant energy legislation (statutes and regulations) and comply with them. This has an impact on the completeness of revenue when the petroleum and natural gas industry does not fully meet the legislative requirements, for example, by reporting inaccurate or incomplete production data. The Province has implemented systems and controls in order to detect and correct situations where the petroleum and natural gas industry has not complied with the various acts and regulations the Province administers. These systems and controls, based on areas of highest risk, include performing audits of the petroleum and natural gas industry records when determined necessary. The Province does not estimate the effect of misreported revenue.

Transfers from the Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made. Payments received in excess of the estimated amounts applicable to the fiscal year are included in accounts payable. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Payments received prior to meeting this criterion are included in accounts payable until the resources are used for the purpose specified.

Expenses

Expenses represent the cost of resources consumed during the year on government operations. Expenses include provisions for amortization of acquired tangible capital assets and expenses incurred in accordance with the terms of approved grant programs, including grants for capital purposes and grants to Crown-controlled SUCH sector organizations from government sector entities. Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Pension costs comprise the cost of pension benefits earned by employees during the year, interest on the Province's share of the unfunded pension liability, and the amortization over the expected average remaining service life of employees of deferred adjustments arising from experience gains and losses and changes in actuarial assumptions. Schedule 12 provides additional information on the net unamortized deferred losses relating to pensions.

In the Consolidated Statement of Operations, pension costs of government sector entities which are funded are included in expenses by function and costs which have not been funded are recorded as pension provisions. The pension costs of Crown-controlled SUCH sector organizations are recorded as expenses in each organization's financial statements. Therefore, the pension costs are reflected in the Consolidated Statement of Operations as "Increase in equity in Crown-controlled SUCH sector organizations".

Costs arising from obligations under guarantees and indemnities are recorded as expenses when management determines that the Province will likely be called upon to make payment. The expense represents management's estimate of future payments less recoveries.

The estimated increase or decrease for the year in accrued employee vacation entitlements is also recorded in the appropriate expense function.

Financial Assets

Financial assets are the government's financial claims on external organizations and individuals, loans that government sector entities have made to Crown-controlled SUCH sector organizations, and inventories for resale at the year end.

Temporary investments are valued at the lower of cost or fair value, on an aggregate basis.

Note 1 (continued)

Portfolio investments authorized by legislation to provide income for the long term or for other special purposes are recorded at cost. Realized gains and losses on disposals of these investments are included in calculating the excess of revenues over expenses for the year. If an investment loses value that is other than a temporary loss, its recorded value is reduced to reflect the loss. The reduced value is deemed to be the new cost.

Equity in Crown-controlled SUCH sector organizations represents the net assets of these organizations. Net assets include the assets less the liabilities, including deferred contributions, deferred capital contributions, and the related unamortized deferred capital contributions (see Schedule 8).

Loans are recorded at cost less any discounts and allowance for credit loss.

Inventories for resale representing the Province's share of royalty oil in feeder and trunk pipelines are recorded at their net realizable value. Other inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Liabilities

Liabilities represent present obligations of the government to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Debentures included in unmatured debt are recorded at their face amount less net unamortized discount, which includes issue expenses and hedging costs.

Liabilities also include:

- all financial claims payable by the government at the year end, including payables to Crown-controlled SUCH sector organizations,
- estimates of the present value of the government's obligations for future pension contributions and/or benefits under defined benefit pension plans for current and former provincial and other public sector employees, and certain current and former Members of the Legislative Assembly, including deferred adjustments,
- the government's obligation to provide future funding to school boards to enable them to repay the principal portion of their debentures to the Alberta Capital Finance Authority,
- estimates of the government's liabilities for site remediation and reclamation, and
- accrued employee vacation entitlements.

Non-financial Assets

Non-financial assets are limited to tangible capital assets and inventories of supplies.

Tangible capital assets of commercial enterprises and Crown-controlled SUCH sector organizations are included in the Consolidated Statement of Financial Position within equity in commercial enterprises and equity in Crown-controlled SUCH sector organizations, respectively. Tangible capital assets on the Consolidated Statement of Financial Position are restricted to tangible capital assets the government acquired for cash or for other assets, and donated assets. Tangible capital assets acquired by right, such as Crown lands, forests, water and mineral resources, are not included.

Tangible capital assets are valued at cost less accumulated amortization. Amortization is provided on a straight line basis over the periods expected to benefit from their use (see Schedule 14). The annual amortization costs are allocated to the functions of the government that employ those assets and reported on the Consolidated Statement of Operations.

Note 1 (continued)

Inventories of supplies are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

Derivative Contracts

Income and expense on derivative contracts are recorded as investment income or debt servicing costs. Gains and losses from derivative contracts, which are designated as hedges of market risks for purposes of hedge accounting, are recognized in the same period as the gains and losses of the specific assets and liabilities being hedged. Derivative contracts not designated as hedges for purposes of hedge accounting are recorded at fair value (see Note 4).

The estimated amounts receivable and payable from derivative contracts are included in accrued interest receivable and payable respectively.

Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year end rate of exchange.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts.

Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of excess of revenues over expenses for the year.

Public Private Partnership (P3)

A Public Private Partnership (P3) is defined as a cooperative venture based on contractual obligations between one or more public/private/not for profit partners that meets clearly defined public needs for the provision of goods or services.

The Province accounts for P3 projects in accordance with the substance of the underlying lease agreements. Leases that transfer substantially all the risks and rewards of ownership of the assets to the Province are classified as capital leases and are accounted for as follows:

- the capital asset value and the corresponding liability is the net present value (NPV) of the minimum lease payments discounted using the Province's borrowing rate for long term debt,
- during construction, the capital asset (classified as work in progress) and the corresponding liability are recorded based on the percentage of completion, and
- amortization is accounted for on a straight-line basis over the estimated useful life and commences when the asset is in service.

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Note 1 (continued)

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, health transfers and Canada social transfer entitlements, royalties derived from non-renewable resources, provisions for pensions, and investment income. The nature of the uncertainty in these items arises from several factors such as:

- the effect on accrued income taxes of the verification of taxable income,
- the effect on accrued entitlements of health transfers and Canada social transfer from changes in the base allocations which are primarily a result of updated personal and corporate tax information or from new entitlements with little historical experience,
- the effect on accrued royalties of the receipt of revised production data and reassessments,
- the effect on accrued pension obligations of actual experience compared to assumptions, and
- the effect on asset backed commercial paper investments of ultimate fair value compared to current estimates.

Personal income tax revenue, totalling $8,271 million (2007 $7,622 million), see Schedule 1, is subject to measurement uncertainty due primarily to the use of economic estimates of personal income growth. Personal income growth is inherently difficult to estimate due to subsequent revisions to personal income data. The estimate of personal income growth used in determining personal income tax for the current fiscal year is 9.5%.

Corporate income tax revenue, totalling $4,695 million (2007 $3,606 million), see Schedule 1, is subject to measurement uncertainty due primarily to the timing differences between tax collected and future tax assessments. The Province records corporate income tax revenue as instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments.

Pension provisions of $2,290 million (2007 $158 million), see Schedule 4, are subject to measurement uncertainty because a Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits.

Natural gas and by-products royalty, totalling $5,199 million (2007 $5,988 million), see Schedule 1, is also subject to measurement uncertainty due to statistical analysis of industry data, such as allowable costs incurred by royalty payers, production volumes and royalty rates, in the estimation of natural gas and by-products royalty revenue.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

Change in Accounting Estimate

The method for calculating the estimate of corporate income tax refunds payable was revised in 2008 resulting in a reduction of corporate income tax refunds payable and an upward adjustment to corporate income tax revenue of $551 million in the current year. The Province considers this a change in estimate and has applied the change prospectively in the financial statements.

Note 1 (continued)

Change in Accounting Policy

During the year ended March 31, 2008, the Province decided to change the way it recognizes highway repaving upgrade projects. Previously all highway repaving activities were expensed as incurred. These upgrade projects are now considered betterments and are capitalized. As the Province was only able to reasonably determine the costs of these projects for the past seven years, a cumulative opening adjustment of $466 million was made to Tangible Capital Assets and Net Assets. Prior year's amounts were not restated. The effect of the change on the financial statements for the year ended March 31, 2007 had they been restated is a decrease in Transportation, Communication and Utilities expense by $69 million and an increase in Tangible Capital Assets by an equivalent amount. The effect of the change reflected in the financial statements for the current year is a decrease in Transportation, Communications and Utilities expense by $124 million and an increase in Tangible Capital Assets by an equivalent amount.

NOTE 2 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The fair values of cash and cash equivalents, accrued interest, receivables, payables and accrued liabilities are estimated to approximate their book values because of their short term nature.

The fair value of loans and advances made under the authority of the *Alberta Capital Finance Authority Act* is based on the net present value of future cash flows discounted using the Alberta Capital Finance Authority's current cost of borrowing. The fair value of loans and advances made under the authority of the *Agriculture Financial Services Act* is based on future cash flows discounted using rates equivalent to the market rates on loans with similar terms and credit risk. Fair values of some of the other loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

The fair value of unmatured debt and debt of the Authority is an approximation of its fair value to the holder.

The methods used to determine the fair values of temporary and portfolio investments are as follows:

Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Mortgages and certain non-public provincial debentures are valued at the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

The fair value of alternative and private investments is estimated using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models.

Because quoted market prices are not readily available for alternative and private investments and real estate, estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that may ultimately be realized. Accordingly, estimated fair values may differ significantly from the values used if a ready market existed for these investments.

Note 2 (continued)

At the year end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated to Canadian dollars at the year end exchange rate.

NOTE 3 FINANCIAL RISK MANAGEMENT

(a) Asset Management

The investments that the Province holds are exposed to credit risk and price risk. Price risk is comprised of currency risk, interest rate risk and market risk. In order to earn the best possible return at an acceptable level of risk, the Province has established policies for the asset mix of its investment portfolios.

The Province reduces its investment risk by holding many different types of assets, investing in securities from various governments and companies in different industries and countries, having quality constraints on fixed income instruments, and restricting amounts exposed to countries designated as emerging markets. The use of derivatives is controlled (see Note 4). There are underlying securities supporting all derivatives. Leveraging is not allowed.

Some of the Province's investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund). Investments also include money allocated to the Heritage Fund under the *Access to the Future Act*. The objective is to invest in a diversified portfolio to maximize long-term returns at an acceptable risk level.

The General Revenue Fund also holds substantial amounts of the Province's investments. General Revenue Fund investments are used to repay debt as it matures, protect operating and capital spending from short term declines in revenue, and provide funding for the capital plan and the costs of emergencies, disasters, natural gas rebates and settlements with First Nations. The investment objective for the General Revenue Fund is to preserve the value of the investments while maintaining appropriate liquidity and earning a fair or reasonable rate of return.

Investments in the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, the Alberta Heritage Scholarship Fund and the Alberta Cancer Prevention Legacy Fund are managed to preserve the capital of the funds over the long term and to provide an annual level of income to intermediary boards responsible for making grants to researchers in the fields of medicine, science, engineering, cancer prevention, and to selected students.

(b) Liability Management

The objective of the Province's liability management program is to achieve the lowest possible cost on its unmatured debt (see Schedule 10). In order to achieve this objective, the Province manages four financial risks: interest rate risk, currency risk, credit risk, and refinancing risk. The Province manages these four risks within approved policy guidelines. The debt of provincial corporations is managed separately.

The Province has decided that, in light of the current debt reduction environment, the best risk management strategy is to allow existing debt instruments to mature according to their terms.

NOTE 4 DERIVATIVE CONTRACTS AND RELATED CREDIT RISK

The Province uses derivative contracts to improve investment return and to manage interest rate and currency risks. Derivative contracts have credit risks that could expose the Province to potential losses. Derivatives in a favourable position have positive fair values which represent amounts owed to the Province by counterparties. Credit risk for derivative contracts is the risk that the counterparty will not pay its obligation when it comes due.

The total amount of derivatives with a positive fair value represents the total credit risk associated with derivatives. The Province tries to limit its credit exposure by dealing with counterparties with good credit standing. The Province also sets and monitors limits for each counterparty.

Note 4 (continued)

The following is a summary of the fair values and maturity schedules of the Province's derivative contracts by type, segregated between contracts in a favourable and unfavourable position:

	Maturity			Contract	Fair Values	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Favourable Position	Unfavourable Position
				In millions		
Interest rate swap contracts	9%	12%	79%	$ 12,642	$ -	$ (23)
Forward foreign exchange contracts	100%	-	-	3,283	-	(57)
Credit default swap contracts	2%	20%	78%	5,594	-	(34)
Cross-currency interest rate swaps	19%	47%	34%	1,121	7	-
Equity and bond index swaps and futures	90%	7%	3%	6,620	65	-
Swap option contracts	51%	-	49%	2,747	-	-
Total 2008				$ 32,007	$ 72	$ (114)
Total 2007				$ 37,273	$ 150	$ (37)

NOTE 5 BUDGET

The budget amounts were derived from Budget 2007 tabled in the Legislature on April 19, 2007. The following table compares the net financial position of all government sector entities with the March 31, 2008 estimate provided in Budget 2007. The table uses the same grouping of financial assets and liabilities as the budget.

	2008		2007
	Estimate	Actual	Actual
		In millions	
Financial assets			
Heritage Fund external investments	$ 15,231	$ 16,412	$ 15,028
Self-supporting lending organizations (a)	7,902	7,950	7,272
Capital Account (b)	5,633	7,472	6,091
Alberta Sustainability Fund (c)	7,655	7,653	7,653
Endowments and other funds (d)	3,608	3,783	3,448
Debt Retirement Account (Note 6)	1,789	1,794	2,035
Other financial assets	8,277	10,864	9,487
	50,095	55,928	51,014
Liabilities			
Pension obligations	5,707	7,883	5,593
Self-supporting lending organizations (a)	7,182	7,251	5,733
Accumulated debt (Note 6)	1,784	1,784	2,030
Liabilities for government-owned capital	474	439	252
Accounts and interest payable and other liabilities	4,961	7,044	6,952
	20,108	24,401	20,560
Net financial assets of government sector entities	29,987	31,527	30,454
Tangible capital assets and inventories of supplies	13,747	14,140	12,429
Net assets of government sector entities	43,734	45,667	42,883
Pension obligations	5,707	7,883	5,593
Net assets for fiscal plan purposes	$ 49,441	53,550	48,476
Pension obligations		(7,883)	(5,593)
Equity in Crown-controlled SUCH sector organizations		3,519	3,679
Net assets for financial statement purposes		$ 49,186	$ 46,562

(a) Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

(b) The Capital Account was established to provide funding for the capital plan. Under the Province's fiscal framework, funds can be deposited into the Capital Account in one year to pay for capital projects in the following years.

(c) The Alberta Sustainability Fund was established to help protect operating and capital spending from short term declines in revenue and to fund the costs of emergencies, disasters, natural gas rebates and settlements with First Nations.

(d) Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Cancer Prevention Legacy Fund, Energy Innovation Fund, and Climate Change Emissions Management Fund.

Note 5 (continued)

The following table compares the results of operations of all government sector entities with the March 31, 2008 estimate provided in Budget 2007.

	2008		2007
	Estimate (a)	Actual	Actual
		In millions	
Revenues for fiscal plan purposes (Schedule 1)	$ 35,332	$ 38,013	$ 38,017
Expenses (Schedules 2 and 3)	33,179	35,722	29,665
	2,153	2,291	8,352
Adjustment for pension provisions (Schedule 4)	117	2,290	158
Net revenue for fiscal plan purposes	$ 2,270	4,581	8,510
Adjustment for pension provisions (Schedule 4)		(2,290)	(158)
Increase in equity in Crown-controlled SUCH sector organizations (Schedules 1 and 8)		156	540
Excess of revenues over expenses for financial statement purposes		$ 2,447	$ 8,892

(a) Budget numbers in the Government of Alberta Annual Report have been restated to reflect transfers for capital emergent projects totalling $51.6 million and transfers for capital project planning totalling $11.5 million from Infrastructure and Transportation to other ministries; and to reflect reclassification of $83 million in capital grants and $4 million in operating expense to Capital Investment. Also included in the budget restatement is the transfer of responsibility for funding of the pre-1992 portion of the Alberta Teachers' Retirement Fund from the Ministry of Education to Finance. Budget numbers appearing in the ministry annual reports are as published in the original budget tabled on April 19, 2007.

NOTE 6 FISCAL RESPONSIBILITY LEGISLATION

Since 1999, the *Fiscal Responsibility Act* (the Act) has not allowed the Province to incur a deficit, as defined under the Act, in any fiscal year. Effective April 1, 2005, the Act also requires that the financial assets in the Debt Retirement Account must be equal to or greater than the amount of the accumulated debt at the fiscal year end. During 2007-08, the Province complied with the Act.

Accumulated Debt

The table below shows the balance of accumulated debt at March 31, 2008.

	2008	2007
	In millions	
Unmatured debt (Schedule 10)	$ 2,522	$ 2,634
Funding obligation for school board debentures (Schedule 13)	256	315
Adjustments to conform to statutory definition		
Borrowings for provincial corporations	(994)	(919)
Accumulated debt at end of year	$ 1,784	$ 2,030

Note 6 (continued)

In addition, Note 5 shows that funds amounting to $1,794 million (2007 $2,035 million), at cost, have been set aside in the Debt Retirement Account to retire accumulated debt that has not yet matured.

	2008		2007
	Estimate	Actual	Actual
		In millions	
Accumulated debt at end of year	$ 1,784	$ 1,784	$ 2,030
Funds available for debt repayment	1,789	1,794	2,035
Accumulated debt less funds set aside	$ (5)	$ (10)	$ (5)

NOTE 7 CONTRACTUAL OBLIGATIONS

	2008	2007 Restated
	In millions	
Obligations under long-term leases, contracts and programs	$ 26,515	$ 13,888
Loans and advances approved	63	71
Obligations under public private partnerships		
Operation and maintenance payments	662	666
Progress payments	137	325
	$ 27,377	$ 14,950

Estimated payment requirements for each of the next five years and thereafter are as follows:

	In millions
2008-09	$ 7,967
2009-10	4,249
2010-11	3,474
2011-12	2,472
2012-13	1,912
Thereafter	6,441
	$ 26,515

Public Private Partnerships

	Operation and Maintenance Payments			Progress Payments	Total
	Anthony Henday	Stoney Trail	Total	Stoney Trail	
			In millions		
2008-09	$ 8	$ -	$ 8	$ 77	$ 85
2009-10	10	5	15	60	75
2010-11	13	10	23	-	23
2011-12	9	10	19	-	19
2012-13	9	11	20	-	20
Thereafter	259	318	577	-	577
	$ 308	$ 354	$ 662	$ 137	$ 799

Note 7 (continued)

Major commitments included in the above figures are commitments for capital construction contracts for health and education facilities, highways and the Municipal Sustainability Initiative which is a 10 year agreement between the Province and Alberta municipalities for capital and operating purposes. Some contractual obligations of Crown-controlled SUCH sector organizations included in the above figures are supported by funding commitments of related ministries, the amounts of which are not readily determinable.

The government has various commitments relating to the devolution of services or disposition of assets to the private sector. Those commitments include the performance of duties and obligations if the private sector organization fails to meet them.

These amounts include the operation and maintenance payments and progress payments for the Province's public private partnerships. The capital lease obligations under public private partnerships are described in Note 8.

NOTE 8 CAPITAL LEASE OBLIGATIONS UNDER PUBLIC PRIVATE PARTNERSHIPS

Anthony Henday – Edmonton Ring Road:

In January 2005, the government entered into a contract for the design, finance, build and maintenance of the South East Anthony Henday Ring Road. The project was completed in October 2007. The total capital cost of the project, which was jointly funded by the Province and the Federal Government, was $431.3 million (Federal contribution of $75 million plus net present value of lease payments of $356.4 million). Lease payments to the contractor on the 30 year contract commenced in November 2007.

The details of the capital lease for the Anthony Henday Ring Road are:

- monthly capital payments including interest and principal are $1.95 million, and
- monthly variable payments for operation and maintenance of the South East and South West Anthony Henday Ring Road which also include major rehabilitation payments for the South East Anthony Henday. These payments will be indexed for inflation.

Stoney Trail – Calgary Ring Road:

In February 2007, the government entered into a contract for the design, finance, build and maintenance of the North East Stoney Trail Ring Road which is scheduled to be completed in October 2009. Upon completion of the project, the government will lease the road from the contractor for a 30 year period. The government will make progress payments of $300 million during construction from 2007-08 to 2009-10. Lease payments will begin in November 2009 or upon completion of the project, whichever is later. The net present value of the minimum lease payments at November 2009 calculated using the Government of Alberta borrowing rate of 4.75% is $156.3 million.

The details of the capital lease for Stoney Trail Ring Road are:

- monthly capital lease payments including interest and principal are $0.8 million, and
- monthly variable payments for operation and maintenance of the North East as well as North West Stoney Trail Ring Road which commence in November 2009 and also include major rehabilitation payments for North East Stoney Trail. These payments will be indexed for inflation.

Note 8 (continued)

The calculation of the capital lease obligations under public private partnerships are as follows:

	2008	2007
	In millions	
Anthony Henday - Edmonton Ring Road		
Obligation, beginning of year	$ 252	$ 126
Work completed during the year	104	126
Principal payments	(2)	-
Obligation, end of year	354	252
Stoney Trail - Calgary Ring Road		
Obligation, beginning of year	-	-
Work completed during the year (54.5%)	85	-
Principal payments	-	-
Obligation, end of year	85	-
Total obligations under public private partnerships	$ 439	$ 252

NOTE 9 CONTINGENT LIABILITIES

Set out below are details of contingent liabilities resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 13. Any losses arising from the settlement of contingent liabilities are treated as current year expenses.

(a) Indemnities and Guarantees

Guarantees amounting to $97 million (2007 $103 million) are analyzed in Schedule 15.

(b) Contingent Liabilities of Commercial Enterprises

The Credit Union Deposit Guarantee Corporation has a potential liability under guarantees relating to deposits of credit unions. At December 31, 2007 credit unions in Alberta held deposits totalling $13.3 billion (2006 $11.8 billion) and had assets in excess of deposits.

At March 31, 2008, Alberta Treasury Branches had a potential liability under guarantees and letters of credit amounting to $270 million (2007 $204 million).

(c) Legal Actions

At March 31, 2008, the Province was involved in various legal actions, the outcome of which is not determinable. Accruals have been made in specific instances where it is probable that losses will be incurred which can be reasonably estimated. The resulting loss, if any, from claims in excess of the amounts accrued cannot be determined.

The Province has a contingent liability in respect of thirty claims (2007 thirty) concerning aboriginal rights, Indian title and treaty rights. In most cases, these claims have been filed jointly and severally against the Province of Alberta and the Government of Canada, and in some cases involve third parties. Of these claims, seventeen (2007 seventeen) have specified amounts totalling $110.0 billion (2007 $114.2 billion) plus a provision for interest and other costs that is not calculable. The other thirteen claims (2007 thirteen) have not specified any amounts.

Note 9 (continued)

The Province was named as a defendant in a legal action concerning the methodology used to calculate pension benefit payments under three public sector pension plans. The claim has been filed jointly and severally against the Province of Alberta and the employers participating in these pension plans. The claim specified an amount of $3.75 billion (2007 $3.75 billion) plus a provision for interest and other costs that is not calculable.

Further, the Province was named as defendant in various other legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $3.6 billion (2007 $3.9 billion).

NOTE 10 TRUST FUNDS UNDER ADMINISTRATION

Trust funds under administration are regulated and other funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements. As at March 31, 2008, trust funds under administration were as follows:

	2008	2007
	In millions	
Public Sector Pension Plan Funds	$ 27,218	$ 27,256
Teachers' Pension Plan Funds	4,538	3,979
The Workers' Compensation Board Accident Fund	2,648	2,894
Regional Health Authorities and various health institutions construction accounts	841	978
Public Trustee	502	473
Special Areas Trust Account	82	80
Various Court Offices and Fines Distribution Trust	77	67
Miscellaneous trust funds	264	293
	$ 36,170	$ 36,020

NOTE 11 DEFINED BENEFIT PLANS

(a) Pension Plans

The government administers three contributory defined benefit pension plans for the current employees of government entities: the Public Service Pension Plan, Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers. Pension costs for these plans, which were funded by government sector entities during 2008 and included in expenses by function in these financial statements, amounted to $183 million (2007 $162 million).

Benefits paid from these plans are based on length of service and pensionable earnings. The average age of the approximately 50,100 active employees is 44. In addition, there are approximately 10,800 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, these plans provide benefits for approximately 21,500 retirees. Benefit payments were $304 million in 2008 (2007 $281 million). Total contributions were $425 million in 2008 (2007 $365 million), of which employee contributions amounted to $199 million in 2008 (2007 $170 million).

The government guarantees payment of all benefits under the Management Employees Pension Plan arising from service before 1994.

Note 11 (continued)

A separate pension plan fund administered by the government is maintained for each pension plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

At December 31, 2007, the Public Service Pension Plan reported a deficiency of $92 million (2006 surplus of $153 million), the Supplementary Retirement Plan for Public Service Managers reported a surplus of $2 million (2006 $4 million), and the Management Employees Pension Plan reported a deficiency of $84 million (2006 $7 million). The extrapolation of unfunded liabilities to March 31, 2008 is analyzed in Schedule 12.

(b) Leng Term Disability Income Continuance Plans

The government also administers two long term disability income continuance plans. As at March 31, 2008, these plans taken together reported a surplus of $1.6 million (2007 surplus of $10.3 million). At March 31, 2008, the government's share of the estimated accrued benefit liability for these plans has been recognized in these financial statements.

NOTE 12 ASSET BACKED SECURITIES

The Canadian market for third party or non-bank sponsored asset-backed commercial paper ("ABCP") suffered a liquidity disruption in mid-August 2007, following which a group of market participants, including major investors, banks, asset providers, dealers, and third-party sponsors, agreed to work collectively to restructure this market segment. This agreement, which came to be known as the Montreal Accord (the "Accord"), provided for a standstill period during which participating investors would not demand repayment of their ABCP investments as they matured and the commercial paper issuers would not make liquidity calls to their liquidity providers who, in turn, would not demand additional collateral from the issuers. Participants in the Accord also agreed in principle to the conversion of the ABCP notes into longer term floating-rate notes with maturities corresponding to those of the underlying assets. A Pan-Canadian Investors Committee ("Investors Committee") was subsequently established to oversee the orderly restructuring of these instruments during this standstill period. On April 25, 2008, nearly 96 per cent of 1,932 ABCP noteholders voted in favor of the restructuring plan devised by the Investors Committee. Should the Plan receive court approval, the restructuring could be implemented as early as mid-July 2008.

At March 31, 2008, the Province, through its investments held by the Alberta Cancer Prevention Legacy Fund, Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund incurred write-downs. These write-downs amounted to $161 million of which 4% relates to ABCP subject to the Accord and the balance relates to other asset backed securities. These charges have been included in net investment income on the Consolidated Statement of Operations. As at March 31, 2008, the remaining estimated fair value of the Province's investments in asset backed securities was $124 million.

Investments held by commercial enterprises that are consolidated on the modified equity basis also incurred write-downs on ABCP of $253 million (96% relates to ABCP subject to the Accord). These write-downs are included in net income from commercial operations on the Consolidated Statement of Operations. As at March 31, 2008, the remaining estimated fair value of these investments in ABCP was $890 million.

Investments held by Crown-controlled SUCH sector organizations that are consolidated on the modified equity basis also incurred write-downs on ABCP of $58 million (98% relates to the ABCP subject to the Accord). These write-downs are included in increase in equity in Crown-controlled SUCH sector organizations on the Consolidated Statement of Operations. As at March 31, 2008, the remaining estimated fair value of these investments in ABCP was $180 million.

NOTE 13 FUTURE CHANGES IN ACCOUNTING POLICIES

Method of Consolidation

The Public Sector Accounting Board has issued standards that require Crown-controlled SUCH sector organizations to be consolidated using the full consolidation method commencing on or before the 2008-09 fiscal year. In a transition period to March 31, 2008, these Crown-controlled organizations are allowed to be consolidated using the modified equity basis of accounting (see Note 1(b)). Had Crown-controlled SUCH sector organizations been fully consolidated with government sector entities at March 31, 2008, consolidated net assets of the Province would have increased by approximately $12.1 billion (2007 $10.4 billion).

NOTE 14 TEACHERS' PENSION PLANS

As part of the agreement with the Alberta Teachers' Association, the Province assumed the teachers' portion of the pre-1992 unfunded pension liability amounting to $2,215 million. The total pension provision of $2,290 million includes the $2,215 million teachers' share.

NOTE 15 OTHER ADJUSTMENTS TO OPENING NET ASSETS

The reconciliation of other adjustments to opening net assets is as follows:

	2008	2007
	In millions	
Other adjustments to net assets		
Transfer of infrastructure assets (Schedule 14(e))	$ 11	$ 96
Accumulated unrealized gains (Schedule 7 and 8)	42	-
Other	2	-
	$ 55	$ 96

NOTE 16 COMPARATIVE FIGURES

Certain 2007 figures have been reclassified, where necessary, to conform to 2008 presentation.

Schedules to the 2007-08 Consolidated Financial Statements

REVENUES

SCHEDULE 1

	2008		2007
	Budget (Note 5)	Actual	Actual
		In millions	
Income taxes			
Personal income tax	$ 7,318	$ 8,271	$ 7,622
Corporate income tax	3,126	4,695	3,606
	10,444	12,966	11,228
Other taxes			
School property tax	1,378	1,393	1,330
Tobacco tax	890	845	776
Fuel tax	720	751	735
Freehold mineral rights tax	333	247	317
Insurance taxes	244	265	242
Alberta tourism levy	65	72	68
	3,630	3,573	3,468
Non-renewable resource revenue			
Natural gas and by-products royalty	6,023	5,199	5,988
Synthetic crude oil and bitumen royalty	1,795	2,913	2,411
Bonuses and sales of Crown leases	1,214	1,128	2,463
Crude oil royalty	1,060	1,655	1,400
Rentals and fees	153	159	159
Coal royalty	15	14	13
Royalty tax credit	-	(44)	(174)
	10,260	11,024	12,260
Transfers from Government of Canada			
Health transfers	1,828	1,355	1,591
Canada social transfer	924	866	490
Agriculture support programs	329	171	251
Other	634	656	745
	3,715	3,048	3,077
Net income from commercial operations			
Lottery operations	1,448	1,615	1,534
Liquor operations	642	678	658
Other	268	38	282
	2,358	2,331	2,474
Net investment income	2,500	2,349	3,013
Premiums, fees and licences			
Health care insurance premiums	919	979	926
Motor vehicle licences	332	361	341
Crop and hail insurance premiums	181	146	132
Timber rentals and fees	40	35	51
Other	404	450	438
	1,876	1,971	1,888
Other	549	751	609
Revenues for fiscal plan purposes	$ 35,332	38,013	38,017
Increase in equity in Crown-controlled SUCH sector organizations (Schedule 8)		156	540
Revenues for financial statement purposes		$ 38,169	$ 38,557

EXPENSES BY MINISTRY — SCHEDULE 2

	2008 Budget (Note 5)	2008 Actual	2007 Actual
		In millions	
Program expenses			
Offices of the Legislative Assembly	$ 93	$ 86	$ 70
Ministries [a]			
Health and Wellness	12,072	12,062	10,705
Education	5,447	5,619	5,270
Infrastructure and Transportation	2,967	2,884	2,676
Advanced Education and Technology	3,108	3,233	2,506
Seniors and Community Supports	1,765	1,732	1,595
Municipal Affairs and Housing	837	1,017	398
Children's Services	972	976	900
Employment, Immigration and Industry	854	870	888
Finance	827	846	782
Agriculture and Food	1,026	832	1,068
Tourism, Parks, Recreation and Culture	757	745	452
Solicitor General and Public Security	512	517	454
Sustainable Resource Development	354	484	469
Justice	383	382	331
Energy	300	294	223
Service Alberta	279	272	260
Environment	164	266	151
International, Intergovernmental and Aboriginal Relations	68	64	65
Executive Council	23	23	21
Treasury Board	19	14	8
	32,827	33,218	29,292
Debt servicing costs	235	214	215
Pension provisions [b]	117	2,290	158
	$ 33,179	$ 35,722	$ 29,665

(a) On March 12, 2008, the government announced new ministry structures. Since the 2007-08 fiscal year was substantially completed prior to this announcement, ministry annual reports and financial statements are being prepared as if the restructuring took place on April 1, 2008, to provide proper accountability for the 2007-08 fiscal year against the original business plan.

(b) Pension provisions are related to Education and Finance.

EXPENSES BY OBJECT

SCHEDULE 3

	2008	2007
	In millions	
Grants		
Crown-controlled SUCH sector organizations	$ 15,632	$ 13,772
Other	10,635	8,802
Services	3,129	3,219
Salaries, wages, employment contracts and benefits	2,375	2,136
Amortization of tangible capital assets and consumption of inventories of supplies	522	473
Interest and amortization of exchange gains and losses	491	472
Valuation adjustments (Schedule 4)	2,409	254
Materials and supplies	241	229
Travel and communication	170	160
Pension liability funding	74	112
Other	44	36
	$ 35,722	$ 29,665

VALUATION ADJUSTMENTS

SCHEDULE 4

	2008		2007
	Budget (Note 5)	Actual	Actual
		In millions	
Pension provisions	$ 117	$ 2,290	$ 158
Provision for losses, doubtful accounts, loans, guarantees and indemnities	86	101	85
Provision for employee benefits other than pensions	8	18	11
	$ 211	$ 2,409	$ 254

CASH AND TEMPORARY INVESTMENTS

SCHEDULE 5

	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
		In millions		
Fixed-income securities [a]				
Government of Canada, direct and guaranteed	$ 910	$ 917	$ 113	$ 113
Provincial, direct and guaranteed	752	752	480	480
Corporate	2,590	2,590	3,225	3,226
Municipal	18	18	-	-
Pooled investment funds	35	35	32	32
	4,305	4,312	3,850	3,851
Cash and cash equivalents	1,366	1,366	1,685	1,685
	$ 5,671	$ 5,678	$ 5,535	$ 5,536

(a) Fixed-income securities had an average effective market yield of 2.1% per annum (2007 4.7% per annum). All (2007 all) of the securities had terms to maturity of less than one year.

	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Fixed-income securities [a][b]				
Government of Canada, direct and guaranteed	$ 4,706	$ 4,819	$ 2,823	$ 2,829
Provincial, direct and guaranteed	4,203	4,295	3,319	3,335
Municipal	213	217	172	172
Corporate	7,277	7,259	8,695	8,699
Pooled investment funds	6,460	6,419	6,407	6,447
	22,859	23,009	21,416	21,482
Equities				
Canadian	5,546	6,190	3,385	3,908
Foreign	6,332	6,321	5,968	6,578
Real estate	263	359	1,452	2,078
Absolute return strategies	1,080	1,055	947	1,023
	13,221	13,925	11,752	13,587
	$ 36,080	$ 36,934	$ 33,168	$ 35,069

(a) The majority of the Province's fixed-income securities are held by the General Revenue Fund. As at March 31, 2008, the General Revenue Fund held $15.96 billion (2007 $14.59 billion) of public fixed-income securities at cost (fair value $16.15 billion (2007 $14.61 billion)). The securities held have an average effective market yield of 3.5% (2007 4.2%) per annum. 39% (2007 48%) of the securities held had terms to maturity of less than one year.

(b) Fixed-income securities are also held by the Alberta Heritage Savings Trust Fund (Heritage Fund). As at March 31, 2008, the Heritage Fund held $5.27 billion (2007 $5.02 billion) of public fixed-income securities at cost (fair value $5.23 billion (2007 $5.06 billion)). The securities held have an average effective market yield of 5.2% (2007 4.7%) per annum and the following term structure based on principal amount.

	2008	2007
	%	
Under 1 year	4	4
1 to 5 years	28	30
6 to 10 years	39	37
11 to 20 years	11	10
Over 20 years	18	19
	100	100

EQUITY IN COMMERCIAL ENTERPRISES

SCHEDULE 7

	2008	2007
	In millions	
Accumulated surpluses		
Accumulated surpluses at beginning of year	$ 2,091	$ 1,719
Total revenue	5,101	4,828
Total expense	2,770	2,354
Net revenue	2,331	2,474
Accumulated unrealized gains (a)	14	-
Net transfers to departments and other adjustments	(2,268)	(2,102)
Accumulated surpluses at end of year	$ 2,168	$ 2,091
Represented by		
Assets		
Loans	$ 19,448	$ 16,998
Investments	1,370	1,795
Other	3,201	2,130
	24,019	20,923
Liabilities		
Accounts payable	602	507
Deposits	21,176	18,253
Unmatured debt	73	72
	21,851	18,832
	$ 2,168	$ 2,091
Equity in commercial enterprises at end of year		
As reported by the entities		
Alberta Treasury Branches	$ 1,669	$ 1,623
Alberta Gaming and Liquor Commission	378	353
Credit Union Deposit Guarantee Corporation	119	113
N.A. Properties (1994) Ltd.	2	2
	2,168	2,091
Subordinated debentures in support of deposit guarantees	94	88
	$ 2,262	$ 2,179

(a) Effective April 1, 2007, certain commercial enterprises implemented new accounting standards related to the reporting of financial instruments and "other comprehensive income" as prescribed by the Canadian Institute of Chartered Accountants. Under these standards, assets and liabilities classified as "available for sale" or "held for trading" are recorded at fair value with resulting gains and losses charged to income or equity as other comprehensive income. As Generally Accepted Accounting Priniciples for the public sector does not recgonize these gains and losses, they have been reversed. Amounts relating to other comprehensive income for commercial enterprises have been recorded as an adjustment to equity and reported as unrealized gains.

EQUITY IN CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS — SCHEDULE 8

	2008	2007
	In millions	
Equity at beginning of year	$ 3,679	$ 3,139
Adjustment to equity for universities' share of the unfunded liability of the Universities Academic Pension Plan (a)	(344)	-
Cumulative increase in unrealized gain (b)	28	-
Adjusted equity at beginning of year	3,363	3,139
Transfers from government sector entities	13,747	13,000
Other income	3,571	3,109
Total income	17,318	16,109
Total expenses	17,232	15,712
Net income	86	397
Contributions to endowments	70	143
Increase in equity for the year	156	540
Equity at end of year	$ 3,519	$ 3,679
Represented by		
Assets		
Cash and temporary investments	$ 2,963	$ 2,122
Due from government sector entities	1,149	1,042
Investments	3,397	3,073
Tangible capital assets	12,523	11,065
Accounts receivable and other assets	1,089	1,243
	21,121	18,545
Liabilities		
Accounts payable and accrued liabilities	2,126	1,772
Debt held by government sector entities	915	901
Other liabilities and unmatured debt (a)	877	516
Deferred contributions (c)	1,627	1,310
Deferred capital contributions (c)	2,679	2,188
Unamortized deferred capital contributions (c)	9,378	8,179
	17,602	14,866
	$ 3,519	$ 3,679
Equity as reported by schools, universities, colleges, technical institutes, regional health authorities and health boards at end of year (d)		
Universities	$ 1,703	$ 2,082
Colleges, technical institutes and The Banff Centre	768	683
Schools	538	412
Regional health authorities and health boards	510	502
	$ 3,519	$ 3,679
Increase (decrease) in equity for the year as reported by schools, universities, colleges, technical institutes, regional health authorities and health boards		
Universities	$ (34)	$ 272
Colleges, technical institutes and The Banff Centre	84	90
Schools	126	32
Regional health authorities and health boards	(20)	146
	$ 156	$ 540

Schedule 8 (continued)

(a) The 2008 equity at the beginning of the year includes $344 million representing the universities' share of the unfunded liability of the Universities Academic Pension Plan as at April 1, 2007. Other liabilities and unmatured debt for 2008 includes $360 million representing the universities' share of the unfunded liability at March 31, 2008.

(b) Effective April 1, 2007, health authorities and health boards implemented new recognition and measurement standards for financial instruments prescribed for not-for-profit organizations by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. Accordingly, investments held as available for sale or held for trading were measured at fair value and the difference between the fair value and cost (unrealized gain) was recorded as an adjustment to the opening balance of net assets. The following is the reconciliation of the cumulative unrealized gain:

	In millions
Adjustments to opening balance of net assets	$ 60
Current year unrealized loss	(23)
Current year transfers of realized net gain to income	(9)
Cumulative increase in unrealized gain	$ 28

(c) Crown-controlled SUCH sector organizations follow the deferral method of accounting. Restricted non-capital contributions are deferred and recognized as revenue when related expenses are incurred. Deferred contributions represent restricted non-capital contributions which remain unspent. Capital contributions, including contributions from government sector entities, are recorded as deferred capital contributions until invested in tangible capital assets. Amounts invested are then transferred to the unamortized deferred capital contribution account and recognized as revenue when the related amortization expense of tangible capital assets is recorded.

(d) The principal of externally restricted endowments included in equity must be maintained intact in perpetuity. Investment income earned on externally restricted endowments must be used in accordance with the various purposes established by the donors.

LOANS AND ADVANCES

SCHEDULE 9

	2008	2007
	In millions	
Loans and advances made under the authority of		
Alberta Capital Finance Authority Act (a)	$ 5,733	$ 4,941
Agriculture Financial Services Act (b)	1,076	1,014
Student Loan Act	300	260
Alberta Heritage Savings Trust Fund Act	184	188
Alberta Housing Act	6	13
Farm Credit Stability Act	2	4
Financial Administration Act	12	12
	7,313	6,432
Less allowance for doubtful accounts	150	193
	$ 7,163	$ 6,239

(a) The fair value of the loans as at March 31, 2008 was $6,229 million (2007 $5,360 million). Municipal loans on average yield 5.6% (2007 6.0%) per annum.

As at March 31, 2008, loans to Crown-controlled schools amounted to $266 million (2007 $326 million).

(b) The fair value of the loans receivable is not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from estimated financial markets for such loans. Agricultural loan portfolios on average yield 6.1% (2007 6.3%) per annum.

UNMATURED DEBT

SCHEDULE 10

	2008				2007	
	Effective Rate [a]	Modified Duration [b]	Book Value [a]	Fair Value [a]	Book Value [a]	Fair Value [a]
	%	years	*In millions*			
Direct debt						
Canadian dollar debt						
Floating rate and short-term fixed rate [c]	4.14	0.48	$ 689	$ 695	$ 514	$ 514
Fixed rate long-term [d]	6.97	3.86	1,757	1,988	2,043	2,258
	6.18	2.98	2,446	2,683	2,557	2,772
Alberta Social Housing Corporation						
Canadian dollar fixed rate debt			76	113	77	118
			$ 2,522	$ 2,796	$ 2,634	$ 2,890

(a) Book value represents the amount the Province owes. Fair value approximates market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate swaps. Effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the debt to the net carrying amount. For non-marketable debt, the effective rate and fair value are determined by reference to yield curves for comparable debt.

(b) Modified duration is the weighted average term to maturity of a security's cash flows (i.e. interest and principal). It measures price volatility. The greater a bond's modified duration, the more impact a change in interest rates will have on its value.

(c) Floating rate debt includes short-term debt, term debt with less than one year to maturity, and term debt with interest rate reset within a year.

(d) Canadian dollar fixed rate debt includes $679 million (2007 $679 million) held by the Canada Pension Plan Investment Fund.

Debt principal repayment requirements (based on par value) in each of the next five years, including short-term debt maturing in 2008-09 and thereafter, are as follows:

	In millions
2008-09	$ 772
2009-10	80
2010-11	380
2011-12	457
2012-13	279
Thereafter	557
	2,525
Less unamortized discount	(3)
	$ 2,522

None of the debt has call provisions (2007 none).

	2008	2007
	In millions	
Canadian dollar fixed rate debt (a)	$ 5,739	$ 4,974

(a) Canadian dollar fixed rate debt includes $1,706 million (2007 $1,851 million) held by the Canada Pension Plan Investment Fund and has the following characteristics as at March 31, 2008 (see Schedule 10 note (a)).

	2008	2007
Fair value (in millions)	$ 5,889	$ 5,204
Effective rate per annum	5.8%	6.1%

Debt principal repayment requirements in each of the next five years, including those maturing in 2007-08 and thereafter, are as follows:

	In millions
2008-09	$ 369
2009-10	381
2010-11	170
2011-12	283
2012-13	533
Thereafter	4,003
	$ 5,739

	2008	2007
	In millions	
Obligations to pension plans for current and former employees and Members of the Legislative Assembly		
Teachers' Pension Plan (a)	$ 6,855	$ 4,567
Public Service Management (Closed Membership) Pension Plan (b)	699	723
Universities Academic Pension Plan (c)	205	196
Members of the Legislative Assembly Pension Plan (d)	50	50
Management Employees Pension Plan (b)	20	-
Provincial Judges and Masters in Chambers Pension Plan (e)	4	-
	7,833	5,536
Obligations to pension plans for employees of organizations outside the government sector		
Special Forces Pension Plan (c)	50	57
	$ 7,883	$ 5,593

(a) The *Teachers' Pension Plans Act* requires all teachers under contract with public and separate school jurisdictions in Alberta to contribute to the Teachers' Pension Plan. During the year, the Province assumed responsibility for the entire unfunded pre-1992 pension obligation of the Teachers' Pension Plans. The extrapolated value of this obligation at March 31, 2008 is $6,776 million. The Province currently funds 100% of this obligation. In addition, for service after August 1992, the Province funds 50% of the post-1992 unfunded liability, any current service costs and certain cost of living benefits.

(b) The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992.

For Management Employees, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 7.2% of pensionable earnings shared between employees and employers until December 31, 2018. Current service costs are funded by employers and employees. The government guarantees payment of all benefits arising from service before 1994.

For Public Service, the actuarial deficiencies as determined by an actuarial funding valuation are expected to be funded by special payments currently totalling 2.92% of pensionable earnings shared equally between employees and employers until December 31, 2020. Current service costs are funded by employers and employees.

(c) Under the *Public Sector Pension Plans Act*, the Province has obligations for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces pension plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25% of pensionable salaries by the Province, and contributions by employers and employees to fund the remaining amount, as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45% by the Province and 27.27% each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

(d) The Province has a liability for payment of pension benefits under a defined benefit pension plan for certain current and former Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after that date.

(e) The Provincial Judges and Masters in Chambers Pension Plan is a contributory defined benefit pension plan for Judges and Masters in Chambers of the Province of Alberta. Current service costs are funded by the Province and plan members at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at March 31, 2007 are 7.00% of capped salary for plan members and 16.16% of capped salary for the Province. Benefits are payable by the Province if assets are insufficient to pay for all benefits under the Plan.

Schedule 12 (continued)

Pension obligations are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services. The assumptions used in the valuations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

Information about the economic assumptions used in the most recent actuarial valuations is provided below for each plan. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation	Real Rate of Return %	Inflation Rate %	Investment Rate of Return %
Teachers' Pension Plan	August 31, 2006	4.25	3.00	7.25
Public Service Management (Closed Membership) Pension Plan	December 31, 2005	2.25	2.75	5.00
Universities Academic Pension Plan	December 31, 2006	4.00	2.70	6.70
Members of the Legislative Assembly Pension Plan	March 31, 2006	2.25	2.75	5.00
Management Employees Pension Plan	December 31, 2006	4.00	2.75	6.75
Provincial Judges and Masters in Chambers Pension Plan	December 31, 2005	3.50	3.00	6.50
Special Forces Pension Plan	December 31, 2006	4.00	2.50	6.50

The actuarial valuation of the Teachers' Pension Plan as at August 31, 2006 indicated an actuarial deficiency of actuarial net assets over the actuarial present value of accrued benefits. The unfunded liability was extrapolated to March 31, 2008. The Province's share of the unfunded liability as at March 31, 2008 is comprised of actuarial asset value of $1,847 million (2007 $1,877 million), actuarial liabilities of $8,773 million (2007 $6,526 million) and net unamortized deferred loss of $71 million (2007 $82 million). The actual return on assets was 11.7% for the year ended August 31, 2007.

As at December 31, 2007, the Management Employees Pension Plan reported a deficiency of $84 million (2006 $7 million) and the Public Service Pension Plan reported a deficiency of $92 million (2006 surplus of $153 million). Including deferred losses of $17 million (2007 deferred gains of $47 million), unfunded liabilities were extrapolated to March 31, 2008.

A separate pension plan fund is maintained for each pension plan except for the Members of the Legislative Assembly plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

OTHER ACCRUED LIABILITIES

SCHEDULE 13

	2008	2007
	In millions	
Future funding to school boards to enable them to repay debentures issued to Alberta Capital Finance Authority	$ 256	$ 315
Vacation entitlements	219	200
Guarantees, indemnities and remissions		
Guarantees (Schedule 15)	2	3
Remissions for guaranteed student loans (Schedule 15)	-	1
Remissions for non-guaranteed student loans	2	4
	4	8
	$ 479	$ 523

TANGIBLE CAPITAL ASSETS

SCHEDULE 14

	General Capital Assets						Infrastructure Assets					2008 Total	2007 Total
	Land (a)	Buildings	Computer hardware and software	Equipment (b)	Other (c)	Sub Total	Land improvements (d)	Provincial highways, roads and airstrips (e)	Bridges (e)	Dams and water management structures (f)	Sub Total		
Estimated Useful Life	Indefinite	40 yrs	5-10 yrs	3-20 yrs	20-50 yrs		10-40 yrs	50 yrs	50 yrs	25-80 yrs			
							In millions						
Historical Cost													
Beginning of year	$ 1,348	$ 3,359	$ 805	$ 497	$ 263	$ 6,272	$ 218	$ 9,455	$ 1,010	$ 1,219	$ 11,902	$ 18,174	$ 16,927
Additions	116	127	116	63	16	438	17	1,031	204	33	1,285	1,723	1,231
Transfers	-	-	-	-	-	-	-	11	-	-	11	11	96
Disposals including write-downs	(12)	(45)	(40)	(7)	(29)	(133)	(4)	10	(1)	(3)	2	(131)	(80)
Cumulative adjustment (g)	-	-	-	-	-	-	-	466	-	-	466	466	-
	1,452	3,441	881	553	250	6,577	231	10,973	1,213	1,249	13,666	20,243	18,174
Accumulated Amortization													
Beginning of year	-	1,559	480	170	153	2,362	123	2,749	273	274	3,419	5,781	5,407
Amortization expense	-	73	77	44	13	207	4	210	24	18	256	463	412
Effect of disposals including write-downs	-	(17)	(33)	(6)	(41)	(97)	2	(1)	-	-	1	(96)	(38)
	-	1,615	524	208	125	2,472	129	2,958	297	292	3,676	6,148	5,781
Net Book Value at March 31, 2008	$ 1,452	$ 1,826	$ 357	$ 345	$ 125	$ 4,105	$ 102	$ 8,015	$ 916	$ 957	$ 9,990	$ 14,095	
Net Book Value at March 31, 2007	$ 1,348	$ 1,800	$ 325	$ 327	$ 110	$ 3,910	$ 95	$ 6,706	$ 737	$ 945	$ 8,483		$ 12,393

(a) Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

(b) Equipment includes SuperNet, vehicles, heavy equipment, fire protection equipment, office equipment and furniture, and other equipment.

(c) Other tangible capital assets include leasehold improvements (amortized over the life of the lease), rail cars and trailers.

(d) Land improvements include parks development and grazing reserves.

(e) Provincial highways and roads consist of original pavement, roadbed, drainage works and traffic control devices, and include secondary highways and bridges and some key arterial roadways within cities. During the 2006-07 fiscal year, the Province assumed responsibility for $96 million of arterial highways in the City of Edmonton which has been recorded as an adjustment to Net Assets. In 2007-08, an additional $11 million has been recorded as an adjustment to Net Assets.

(f) Dams and water management structures include dams, reservoirs, weirs, canals, dikes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

(g) During the year ended March 31, 2008, the Province decided to change the way it recognizes highway repaving upgrade projects. Previously all highway repaving activities were expensed as incurred. These upgrade projects are now considered betterments and are capitalized. As the Province was only able to reasonably determine the costs of these projects for the last seven years, a cumulative opening adjustment of $466 million was made to Tangible Capital Assets and Net Assets.

	2008	2007	Expiry Date
	In millions		
Feeder Associations Guarantee Act	$ 51	$ 44	Ongoing
Agriculture Financial Services Act	19	26	Ongoing
Alberta Housing Act	16	18	2011
Student Loan Act	11	15	Ongoing
Farm Credit Stability Act [(a)]	1	3	2011
University of Calgary	1	1	2016
	99	107	
Less estimated liability (Schedule 13)			
Guarantees	2	3	
Remissions for guaranteed student loans	-	1	
	2	4	
	$ 97	$ 103	

Authorized loan guarantee limits are shown below where applicable. Where authorized loan guarantee limits are not noted, the authorized limits decline as guaranteed or indemnified loans are repaid.

Guarantee programs under the following Acts are ongoing:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million),
- *Agriculture Financial Services Act*, and
- *Student Loan Act* (authorized guarantee limit set by Order in Council is $400 million).

The lender takes appropriate security prior to issuing to the borrower a loan which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

(a) The expiry date shown is the latest expiry date for guaranteed loans under the program. No new program guarantees are being issued under the *Farm Credit Stability Act*.

LISTING OF ORGANIZATIONS — SCHEDULE 16

The financial statements of the following organizations are fully consolidated in these financial statements:

GOVERNMENT SECTOR ENTITIES

Offices of the Legislative Assembly
Support to the Legislative Assembly
Office of the Auditor General
Office of the Ombudsman
Office of the Chief Electoral Officer
Office of the Ethics Commissioner
Office of the Information and Privacy Commissioner

Departments
Advanced Education and Technology
Agriculture and Food
Children's Services
Education
Employment, Immigration and Industry
Energy
Environment
Executive Council
Finance
Health and Wellness
Infrastructure and Transportation
International, Intergovernmental and Aboriginal Relations
Justice
Municipal Affairs and Housing
Seniors and Community Supports
Service Alberta
Solicitor General and Public Security
Sustainable Resource Development
Tourism, Parks, Recreation and Culture
Treasury Board

Regulated Funds
Access to the Future Fund
Alberta Cancer Prevention Legacy Fund
Alberta Heritage Foundation for Medical Research Endowment Fund
Alberta Heritage Savings Trust Fund
Alberta Heritage Scholarship Fund
Alberta Heritage Science and Engineering Research Endowment Fund
Alberta Risk Management Fund
Alberta School Foundation Fund
Climate Change and Emissions Management Fund[a]
Environmental Protection and Enhancement Fund
Historic Resources Fund
Lottery Fund
Provincial Judges and Masters in Chambers Reserve Fund
Supplementary Retirement Plan Reserve Fund
Victims of Crime Fund

Schedule 16 (continued)

Provincial Agencies
Agriculture Financial Services Corporation
Alberta Alcohol and Drug Abuse Commission
Alberta Capital Finance Authority
Alberta Energy and Utilities Board[b]
Alberta Foundation for the Arts
Alberta Historical Resources Foundation
Alberta Investment Management Corporation[a]
Alberta Informatics Circle of Research Excellence Inc. (iCORE Inc.)
Alberta Local Authorities Pension Plan Corporation
Alberta Pensions Administration Corporation
Alberta Petroleum Marketing Commission
Alberta Research Council Inc.
Alberta Securities Commission
Alberta Social Housing Corporation
Alberta Sport, Recreation, Parks and Wildlife Foundation
Alberta Utilities Commission[b]
Calgary and Area Child and Family Services Authority
Central Alberta Child and Family Services Authority
East Central Alberta Child and Family Services Authority
Edmonton and Area Child and Family Services Authority
Energy Resources Conservation Board[b]
Human Rights, Citizenship and Multiculturalism Education Fund
Metis Settlements Child and Family Services Authority
Natural Resources Conservation Board
North Central Alberta Child and Family Services Authority
Northeast Alberta Child and Family Services Authority
Northwest Alberta Child and Family Services Authority
Persons with Developmental Disabilities Calgary Region Community Board
Persons with Developmental Disabilities Central Region Community Board
Persons with Developmental Disabilities Edmonton Region Community Board
Persons with Developmental Disabilities Northeast Region Community Board
Persons with Developmental Disabilities Northwest Region Community Board
Persons with Developmental Disabilities South Region Community Board
Southeast Alberta Child and Family Services Authority
Southwest Alberta Child and Family Services Authority
The Government House Foundation
The Wild Rose Foundation

Non-commercial Crown-controlled Corporation
Alberta Insurance Council

Schedule 16 (continued)

The following organizations are accounted for on the modified equity basis in these financial statements:

Commercial Enterprises
Alberta Gaming and Liquor Commission
Alberta Treasury Branches
Credit Union Deposit Guarantee Corporation
N.A. Properties (1994) Ltd.

Commercial Crown-controlled Corporation
Gainers Inc.

Non-commercial Crown-controlled Corporation
Safety Codes Council[c]

CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS[c]

School Jurisdictions
Almadina School Society
Aspen View Regional Division No. 19
Aurora School Ltd.
Battle River Regional Division No. 31
Black Gold Regional Division No. 18
Boyle Street Education Centre
Buffalo Trail Public Schools Regional Division No. 28
Calgary Arts Academy Society
Calgary Girls' School Society
Calgary Roman Catholic Separate School District No. 1
Calgary School District No. 19
Calgary Science School Society
Canadian Rockies Regional Division No. 12
CAPE-Centre for Academic and Personal Excellence Institute
Chinook's Edge School Division No. 73
Christ the Redeemer Catholic Separate Regional Division No. 3
Clearview School Division No. 71
East Central Alberta Catholic Separate Schools Regional Division No. 16
East Central Francophone Education Region No. 3
Edmonton Catholic Separate School District No. 7
Edmonton School District No. 7
Elk Island Catholic Separate Regional Division No. 41
Elk Island Public Schools Regional Division No. 14
Evergreen Catholic Separate Regional Division No. 2
FFCA Charter School Society
Foothills School Division No. 38
Fort McMurray Roman Catholic Separate School District No. 32
Fort McMurray School District No. 2833
Fort Vermilion School Division No. 52
Golden Hills School Division No. 75
Grande Prairie Roman Catholic Separate School District No. 28

Schedule 16 (continued)

School Jurisdictions (continued)
Grande Prairie Public School District No. 2357
Grande Yellowhead Regional Division No. 35
Grasslands Regional Division No. 6
Greater North Central Francophone Education Region No. 2
Greater Southern Public Francophone Education Region No. 4
Greater Southern Separate Catholic Francophone Education Region No. 4
Greater St. Albert Catholic Regional Division No. 29
High Prairie School Division No. 48
Holy Family Catholic Regional Division No. 37
Holy Spirit Roman Catholic Separate Regional Division No. 4
Horizon School Division No. 67
Lakeland Roman Catholic Separate School District No. 150
Lethbridge School District No. 51
Living Waters Catholic Regional Division No. 42
Livingstone Range School Division No. 68
Medicine Hat Catholic Separate Regional Division No. 20
Medicine Hat School District No. 76
Moberly Hall School Society
Mother Earth's Children's Charter School Society
New Horizons Charter School Society
Northern Gateway Regional Division No. 10
Northern Lights School Division No. 69
Northland School Division No. 61
Northwest Francophone Education Region No. 1
Palliser Regional Division No. 26
Parkland School Division No. 70
Peace River School Division No. 10
Peace Wapiti School Division No. 76
Pembina Hills Regional Division No. 7
Prairie Land Regional Division No. 25
Prairie Rose Regional Division No. 8
Red Deer Catholic Regional Division No. 39
Red Deer School District No. 104
Rocky View School Division No. 41
St. Albert Protestant Separate School District No. 6
St. Paul Education Regional Division No. 1
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38
Sturgeon School Division No. 24
Suzuki Charter School Society
Westmount Charter School Society
Westwind School Division No. 74
Wetaskiwin Regional Division No. 11
Wild Rose School Division No. 66
Wolf Creek School Division No. 72

Schedule 16 (continued)

Universities
Athabasca University
The University of Alberta
The University of Calgary
The University of Lethbridge

Colleges
Alberta College of Art and Design
Bow Valley College
Grande Prairie Regional College
Grant MacEwan College
Keyano College
Lakeland College
Lethbridge Community College
Medicine Hat College
Mount Royal College
NorQuest College
Northern Lakes College
Olds College
Portage College
Red Deer College

Technical Institutes and The Banff Centre
Northern Alberta Institute of Technology
Southern Alberta Institute of Technology
The Banff Centre For Continuing Education

Regional Health Authorities and Other Health Boards
Alberta Cancer Board
Alberta Mental Health Board
Aspen Regional Health Authority
Calgary Health Region
Capital Health
Chinook Regional Health Authority
David Thompson Regional Health Authority
East Central Health
Health Quality Council of Alberta
Northern Lights Health Region
Peace Country Health
Palliser Health Region

(a) Commenced operations in 2007-08.

(b) The Alberta Energy and Utilities Board (EUB) has been realigned into two separate regulatory bodies: the Energy Resources Conservation Board (ERCB), and the Alberta Utilities Commission (AUC) in 2007-08.

(c) In transition period (see Note 1(b)).

GLOSSARY

Absolute return strategies: Absolute return strategies encompass a wide variety of investments with the objective of realizing positive returns regardless of the overall market direction. A common feature of many of these strategies is buying undervalued securities and selling short overvalued securities. Some of the major types of strategies include long/short equity, merger arbitrage, macroeconomic strategies and short selling.

Accrued interest: Interest income that has been earned but not paid in cash at the financial statement date.

Ask price: The price a seller is willing to accept for a security, also known as the offer price.

Asset mix: The major types of investments that make up a portfolio, usually expressed in percentages.

Bid price: The price a buyer is willing to pay for a security.

Call provision: An option included in a bond that gives the bond issuer the right to buy back all or part of a bond issue prior to maturity.

Credit risk: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Debenture: A financial instrument showing a debt where the issuer promises to pay interest and repay the principal by the maturity date. It is usually unsecured, meaning there are no liens or pledges on specific assets.

Deferred capital contribution: An organization, which follows the deferral method of accounting, has a deferred capital contribution when an external party or a government sector entity contributes funds to the organization for the purchase of a tangible capital asset and the asset has not been purchased at the financial statement date. When the asset is purchased, the amount contributed is transferred to an account called unamortized deferred capital contributions.

Deferred contribution: An organization, which follows the deferral method of accounting, has a deferred contribution when an external party contributes funds to the organization for a specific purpose (other than for a capital item) and the funds remain unspent at the financial statement date. When the funds are used for the specific purpose, the contribution is recognized as revenue.

Defined benefit pension plan: A pension plan that specifies either the benefits to be received by an employee, or the method of determining those benefits, such as a pension benefit equal to two percent of the average of the five highest consecutive years' salary times the total years of service.

Derivative contracts: Financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, currency rates or credit ratings. They usually give rise to a financial asset of one party and a financial liability or equity instrument of another party, require no initial net investment, and are settled at a future date.

Discount: The difference between the price paid for a security and the security's par, or face, value. Because price fluctuates with interest rates, price will differ from the face value. For example, if interest rates are higher than the coupon rate, then the security is sold at a discount.

Emerging markets: The financial markets of developing economies. Examples include China and Brazil.

Fair value: The amount that an asset (or liability) could be bought or sold in a current arm's length transaction between knowledgeable, willing parties, that is, other than in a forced or liquidation sale. It is also known as market value.

Financial asset: An asset that could provide resources to pay liabilities or finance future operations. A financial asset could be cash, a right to receive cash or another financial asset from another party, a right to exchange financial instruments with another party under conditions that are potentially favourable, or equity of another entity.

First-in, first-out: A method of valuing inventory where the cost of the first goods purchased or acquired is the cost assigned to the first goods sold. Therefore, the cost allocated to the inventory items on hand at the end of the period is the cost of those items most recently acquired.

Fixed income instrument: Interest bearing instrument that provides a return in the form of fixed periodic payments and eventual return of principal at maturity, or money market instrument such as treasury bills and discount notes.

Floating rate: An interest rate that is reset periodically, usually every couple of months or sometimes daily.

Hedging: An activity designed to manage exposure to one or more risks. When management designates a hedging relationship, it must identify the specific items included in the hedging relationship, the risk that is being hedged, and the period over which the hedging relationship is intended to be effective. The designation of the hedging relationship is documented formally in the entity's records when designation occurs.

Interest rate risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market interest rates.

Leveraging: The use of various financial instruments or borrowed capital to increase the potential return of an investment.

Liquidity: The ability to convert an asset to cash quickly.

Market risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market prices.

Net realizable value: The selling price less the estimated costs of completion and costs necessary to make the sale.

Par value: The face or principal amount of a bond, typically expressed as multiples of $100 or $1,000. Bond holders receive par value for their bonds at maturity.

Present value: Today's value of one or more future cash payments, determined by discounting the future cash payments using interest rates.

Private equity: An ownership interest in a privately held company.

Public equity: An ownership interest in a publicly-traded company.

Public private partnership: A legally-binding contract between government and business for the provision of assets and the delivery of services that allocates responsibilities and business risks among the various partners.

Realized gains and losses: Gains or losses are realized when investments are sold at a price over or below its book value and selling costs.

Refinancing risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate due to refinancing.

Segment: A distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Temporary investment: Investments which are transitional or current in nature and generally capable of reasonably prompt liquidation.

Temporary loss: Determining when a loss is other than temporary is a matter of judgment, but it is generally presumed if a condition indicating a loss in value has persisted for a period of three or four years.

Unamortized deferred capital contribution: Once an organization, which follows the deferral method of accounting, uses contributed funds to purchase a tangible capital asset, the amount contributed is transferred to an account called unamortized deferred capital contributions. As the tangible capital asset is amortized, the contribution is recorded as revenue.

Yield curve: A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates.